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UNCLAS SECTION 01 OF 03 KABUL 000953

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DOD FOR USDP EDELMAN AND STATE A/S BOUCHER
STATE FOR SCA/FO A/S BOUCHER AND SAS GASTRIGHT, SCA/A,
S/CRS, SCA/PB, S/CT,
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STATE PASS TO USAID FOR AID/ANE, AID/DCHA/DG
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SUBJECT: PRT ASADABAD: CORRUPT TIMBER DEAL CANCELLED BY
PRESIDENT AWAITS IMPLEMENTATION

REF: (A) 2006 KABUL 5008 (B) 2006 KABUL 5877

11. (SBU) SUMMARY: An unpopular and corrupt arrangement to sell timber to three designated contractors at below-market prices in Kunar has been cancelled by President Karzai in favor of a free market approach, but the order has yet to be implemented. The privileged contractor arrangement represents a propaganda victory for the Taliban, so the urgent implementation of the President's decision would be the best hope to remove this impediment to security and government credibility in Kunar. In the longer term, the GOA must devise a plan to regulate the timber trade in a transparent manner and manage timber resources. END SUMMARY

Timber, a Nexus of Corruption in Kunar

12. (SBU) Just south of Asadabad, on the highway to Jalalabad, large convoys of trucks have assembled daily for the past several months, heavily loaded with timber. As described in ref A, Kunar Province Governor Deedar received permission from Kabul in August to implement a plan to sell off large stocks of timber that accumulated in storage facilities when the previous Governor cracked down on illegal cutting and smuggling in early 2005. Worth an estimated 8 billion Afghanis (USD 260 million) at the Kabul-determined price, the timber has been sold at below market-prices to three designated contractors who make substantial profits shipping it throughout Afghanistan.

13. (SBU) Rumors of high-level involvement abound, including ongoing smuggling facilitated by senior police officers and the Governor. The PRT sees in these rumors signs of rivalries between various factions and tribal leaders for a piece of the timber trade, with those left out of the GOA's deal understandably unhappy. A sample of the plausible rumors and speculations about corruption in the timber trade

follows:

- ANP Kunar Chief General Jalal was reportedly placed in Kunar to ensure the security of the wood transport and represents the interests of Marshal Fahim.
- The ABP Commander in Nangarhar, General Zahir (who remains at his post despite being officially removed from his position) was reportedly offered a bribe of USD 200,000 to let a 40-truck convoy of Kunar timber pass into Pakistan recently. Zahir claimed to have rejected the bribe.
- In addition to the taxes charged at the customs house for each truckload of timber leaving the province, the Governor takes Af 15,000 (USD 300) per truck as a personal fee.
- Militants in the Korengal Valley benefit from timber sales, and their leadership has stocks of lumber in the storage yard in Asadabad, presumably being loaded and sold with the rest.

¶4. (SBU) The existing fixed price contract for timber has enriched three well-connected parties, but average Kunaris buying small quantities of timber to build houses are often stopped on suspicion of smuggling by police eager to protect the trading privileges of the large contractors. The PRT has met groups gathered outside the Governor's office seeking his written authorization to move timber for small household and village level building projects.

Karzai Cancels Deal, Kunaris Await Implementation

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¶5. (SBU) The below-market price deal has angered average Kunaris. As ref B noted, after meetings in Kunar, Attorney General Sabit pronounced the deal illegal. He said he would urge the President to halt the buy up and allow traders to sell and transport timber freely. In early January, a delegation composed of a Deputy Justice Minister, Presidential Adviser Osmani, and the Chief of the Forestry Department, visited Kunar to investigate corruption in the timber trade. Provincial Administration Chief Fazl Akbar told the PRT that as a result of this visit the President decided on February 6 to cancel the fixed-price contracts for Kunar's timber in favor of a free market system wherein anyone could buy and sell timber at any price, as long as the appropriate tax was paid on it when it left the province.

¶6. (SBU) The Presidential order to cancel the timber contracts was announced in Kunar only on March 20, to take effect on the next day (the traditional Afghan New Year). Governor Deedar had earlier told the PRT that the order was being held up in the Presidential Administration (Comment: probably to benefit the three contractors). Fazl Akbar has predicted that the reaction of the three contractors to the President's decision would be muted, because they had already recouped the bribes they paid for these contracts several times over. He hoped that this decision would also help reduce corruption, as people would have less incentive to try to get around GOA rules on timber trade.

¶7. (SBU) In the meantime, the Administrator of Pech District, Mohamed Rahman, appears to have crossed the interests of the timber contractors by slowing down shipments out of the Pech Valley out of concern that sale of timber from this region might benefit militants in Pech District's Korengal Valley. He has been detained by the NDS for the past three weeks on corruption charges which appear fabricated in order to get him out of the way. Timber trucks continue moving steadily out of the Pech and down to Asadabad. Rahman is a key partner of ISAF in securing the Pech Valley, and his detention has become a point of contention between ISAF and the GOA. The PRT has urged Governor Deedar to intervene to

secure Rahman's release. Deedar, however, has done nothing to to secure Rahman's release and has sent a "temporary" District Administrator, with no legal standing, to act in Rahman's place, suggesting Deedar has an interest in keeping Rahman locked up. Deedar told the PRT on March 13 that he was seeking a meeting with President Karzai to get Rahman released and to resolve the hold-up in issuing the President's order to cancel the exclusive timber contract; but the President's travel abroad apparently delayed this meeting.

Next Steps: Managing Kunar's Timber Resources

18. (SBU) The PRT has advised provincial leaders of the need for a long-term solution to the timber problem, including a system to regulate the timber trade to prevent smuggling and the deforestation of Kunar's mountains. The PRT urged that such a plan include stronger reforestation and forestry protection elements, in addition to the development of a Kunar-based furniture and wood processing industry to add value before this resource before leaves the province.
(Comment: FY-06 PL-480 receipts will provide USD 1 million to the Ministry of Agriculture for Afghan Conservation Corps forestry work and USD 500,000 to the National Environmental Protection Agency for forestry and range management projects.
End Comment)

COMMENT

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19. (SBU) The timber trade is a cancer that eats at efforts to improve security in Kunar. The timber buy-up plan has been widely unpopular, non-transparent, corrupt, and damaging to the reputation of the GOA. In handing Kunar's main natural resource to a well-connected few, the GOA also handed a propaganda victory to its enemies, while doing little for the economy of Kunar. Rivalries over timber have already sidelined a District Administrator who is one of the most effective ISAF partners in the eastern region and has consumed the attention of the provincial government to the detriment of its other duties. The urgent implementation of President Karzai's decision to cancel the exclusive timber contracts is the best hope to improve this situation.
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